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ABSTRACT

On January 31, 1996, Pioneer Institute Executive Director James A. Peyser delivered an address to the Boston Economic Club, in which he proposed radical reforms to the structure of public education. This publication contains an edited transcript of the speech. The speech argues that after 30 years of stagnation and decline, only fundamental structural change can bring about lasting improvement in public education. It also argues that deregulation, independently managed schools, and choice should be the cornerstones of a new structure, one that benefits from competition, commitment, and the shared community that only real educational choice can create. A series of steps is outlined for creating a market-driven educational system. Three figures are included. (LMI)

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Changing the Monopoly Structure of Public Education

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Changing the Monopoly Structure of Public Education

On January 31, 1996, Pioneer Institute Executive Director James A. Peyser delivered an address to the Boston Economic Club in which he proposed radical reforms to the structure of public education. After 30 years of stagnation and decline, only fundamental structural change can bring about lasting improvement in public education. Peyser argues that deregulation, independently managed schools, and choice should be the cornerstones of a new structure; one that benefits from competition, commitment, and the shared community that only real educational choice can create. In the following pages, Pioneer Institute has reproduced an edited transcript of the speech.

Education reform as it is being implemented in Massachusetts and across the country has four main threads: money, equity, decentralization, and standards. Within the context of the established structure of public education, these are reasonable attempts to improve student outcomes. But I believe it is the structure of public education itself that is in greatest need of reform and any attempt to improve the performance of the existing system will at best yield only temporary gains. To break through the status quo we must dismantle the monopoly structure of public education through deregulation, independently managed schools, and choice.

Before getting into the details of this argument, let me first establish the context. Eighty-nine percent of the school-age population in Massachusetts attends public schools. With a few recent exceptions, children and parents have only one source for public education: their local school department. Each local school department is harnessed together by the Commonwealth's Department of Education and a web of federal and state laws governing public schools. Of equal importance is the pervasive presence of collective bargaining agreements between school districts and local affiliates of the two national teachers unions. The net result is that even though there are over 400 nominally independent providers of public schooling in Massachusetts, these separate entities are not only protected

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from one another, but they are also cut from the same cloth.

Like all monopolies, the public education system is marked by a preoccupation with politics and bureaucracy rather than customers and quality, resulting in stagnation, if not decline. Here is a partial bill of particulars.

First and foremost, the public education system has failed to improve student achievement. In fact, SAT scores have declined over the past thirty years and are now stagnant. Combined math and verbal results have fallen from a national average of 978 in 1963 to 902 in 1993. Perhaps more telling is the fact that even with a larger test pool, the number of students scoring above 600 on the verbal SAT in 1988 was 30 percent lower than in 1972. All this during a period of substantial real spending growth.

Scores for 1952-69 are based on all tests administered during the year; 1970-93 on the most recent test taken by seniors.

Source: The College Board.

In urban school systems, the picture is much worse. A 1992 Pioneer study on the Boston schools reported that Boston's average SAT score was "151 points below the 1991 state and national average...Some 33 percent of Boston students do not graduate, one of the highest rates in the nation. In some schools the dropout rate is as high as 56 percent. Of those who do finish high school, four in ten cannot read at the ninth grade level." Today, one-third of Boston's high schools have either lost their accreditation, been placed on probation, or been given a warning by the regional accreditation agency. Boston's experience is not dissimilar from other large cities throughout the country.

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According to a 1993 study by the Organization for Economic Cooperation and Development, less than 45 percent of all employees in the U.S. education workforce are teachers. In 1950 over 70 percent of the workforce were teachers. Between 1960 and 1984 national student enrollment grew by 9 percent. The number of so-called "other" school staff (meaning non-educators, such as central office administrators, bus drivers, guidance counselors, and janitors) grew 500 percent.

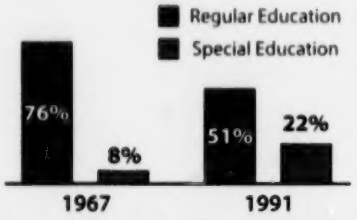
Underlying these numbers, I believe, is the growing influence of politics and bureaucracy. Increasingly, resources are directed toward those programs with the most vocal political organizations, the most adept legal advocates, and the most entrenched bureaucracies.

Working Within the System

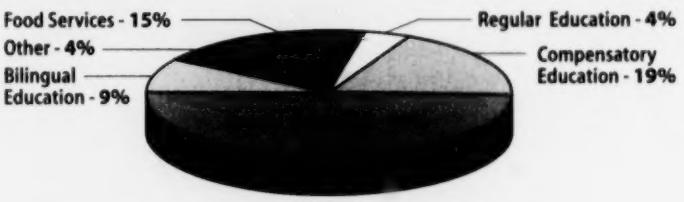
As I mentioned at the outset, mainstream proposals for education reform focus on money, equity, decentralization, and standards. Let's briefly look at each of these individually.

The centerpiece of the 1993 education reform act is a commitment to increase annual state education aid by well over $1 billion by the year 2000. One reason for the increase is to lift poorer districts above a threshold or "foundation" spending level, thereby reducing the resource gap between rich and poor districts. The new funds, in combination with minimum spending requirements for all districts, are also intended to increase aggregate spending on K-12 education, which is now over $5 billion. This new spend-

One District's Spending: Fall River, MA



Share of Total Per-Pupil Spending



Uses of New Spending

Regular education expenses include classroom teaching, school libraries, textbooks, curriculum development, teacher training, and some maintenance and administrative costs.

Source: The Economic Policy Institute.

ing tops off 30 years of steady real growth in spending on public schools. But, if recent history teaches us anything, it is that pouring new money into the existing system will not produce the results we expect.

The Economic Policy Institute, a Washington, D.C. think tank funded by organized labor, recently released a study of school spending in nine districts, including Fall River, MA. Between 1967 and 1991, real per-pupil spending in Fall River grew 53 percent. Only 4 percent of the net new spending went to regular education (and much of that went to higher teacher salaries). Almost half of the new dollars went to special education. About 20 percent went to compensatory services for low-income students. Fifteen percent went to food services and 9 percent went into bilingual education. Looked at from another perspective, over 90 percent of the new spending in Fall River was targeted at creating greater equity in the system for poor kids, disabled kids, and immigrant kids.

Is there anything wrong with giving these disadvantaged kids a leg up? Of course not, but the system by which we have tried to help them is a political one, based on entitlements and civil rights, which is lousy at making the rational and educationally sound tradeoffs necessary to maximize outcomes for all children. Equally important, this rights-based system is entirely concerned with process and not at all concerned with results. Today, a special education program is unsuccessful not if students fail to learn, but if it fails to keep adequate records or make timely filings to the Department of Education. Until education reforms address these systemic problems, new resources will prove unavailing—even for the disadvantaged kids who are supposed to benefit most.

Decentralization, another strand of mainstream education reform, has also proved to be ineffectual. The recent experience of Boston, which has implemented something called "school-based management,"

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appears to bear out this conclusion. School-based management, which is now required of every district in the state, purports to give principals, teachers and parents new power to manage their own affairs at each individual school. But the political dynamics of public education have ensured that the levers of power over such critical items as budgets and personnel remain with the central school authorities and teachers unions. According to a 1992 Pioneer Institute study,

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Boston's mandated programs and collective bargaining agreements leave individual school-based management teams with discretion over less than 5 percent of their annual budgets.

Finally, mainstream education reform seeks to establish rigorous academic standards that all students and schools must meet. On paper, this is a highly laudable initiative. In practice, however, it is unclear that the vision can be fulfilled. The problem is that academic standards are not like dinosaur fossils, just waiting to be discovered. Academic standards are highly charged intellectual and political issues.

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What are the most important events and trends in American history? Which works of literature should all students read? These are not simple questions. Nor are they questions on which everyone can agree. Indeed, these are questions that are now causing heated debate on college campuses. The Massachusetts Department of Education is attempting to piece together a document that represents something approaching consensus, but has not yet succeeded. My fear is that they will ultimately succeed by creating milquetoast.

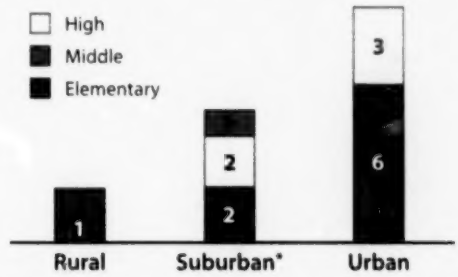
Real Structural Reform

If mainstream education reform will not work, what will? First, I want to lower your expectations. What I will propose are structural reforms that address the existing education monopoly. These reforms alone will not raise test scores. Educational improvement will happen because of what goes on in schools and homes, not because of government actions. But policy changes are needed to make improvement possible, specifically through the creation of a real education marketplace that will free educators and parents to take direct responsibility for what they do best: caring for and teaching children.

There are three components to meaningful structural reform: deregulation, independently managed schools, and choice. I could create a laundry list of laws and regulations governing education that should be repealed or rewritten, but for sake of brevity I will focus on only two: special and bilingual education. There is a very simple concept behind both of these laws: all children have a right to a free and appropriate education. Unfortunately, both laws go well beyond this simple principle by enshrining at the federal and state levels an array of procedural protections and standards of service that overburden schools, establish perverse incentives, and obscure educational objectives. These statutes should be overhauled to put the emphasis back where it belongs, on access and learning, rather than process.

The second element to structural reform is independently managed schools. There is an education reform brushfire that is sweeping the nation. Five years ago there was only one state with a charter school law. Today, there are 20. Charter schools are independently managed public schools. There are 15 charter schools up and running in Massachusetts. Five or six more schools are scheduled to open in the fall. Several new charters will be issued by the Secretary of Education on March 15, which will probably bring the number of charters statewide to 25—the statutory limit.

1995 Massachusetts Charter Schools



**South Shore Charter School is both an elementary and a high school.*

These mission-driven schools are conceived and operated by management teams drawing from educators, parents, business executives, and community leaders. Public funding is tied directly to enrollment: the more students a school has, the more money it receives. Per-pupil revenues are exactly equal to the average cost per student in the traditional public schools. While charter schools are freed of local school district policies and collective bargaining agreements, they must comply with virtually all federal and state laws governing public schools, including those involving special and bilingual education. Charter schools may not discriminate in their admissions and may not charge tuition.

There are over 2600 students enrolled in Massachusetts charter schools. The average charter school has 175 students. On average each school received twice as many applications as it needed to reach capacity. Applications for teaching positions routinely exceeded the number of jobs by 100 to one. About $16 million in state Chapter 70 money will be paid out to charter schools this year, a per-pupil average of $6,100.

Eight of the schools are elementary schools, three are middle schools, and three are high schools. One school is both an elementary school and a high school. Nine charter schools are in cities, four are in the suburbs, and two are in rural communities. Six of the schools were started by parents, four were started by existing non-profit organizations, two were started by community leaders, two were conversions of existing schools, and one was started by teachers.

The student demographics of charter schools mirror those of the population at large. Two-thirds of Boston's charter school students are black or Hispanic. One-third of the charter schools target at-risk or low-income students. Although the data are still incomplete, it appears that the average special needs population in charter schools is 10 percent or more of total enrollment.

Beyond providing new choices for dissatisfied parents, charter schools are helping to drive broader reform. Already, the spur of competition has produced the first stirrings of change in several school districts.

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- The Boston public school system has launched five Pilot Schools, based on the charter school model, and it is preparing to authorize more this spring.
- The Nauset regional school district is opening a new "school within a school" specifically to compete with the Lighthouse Charter School on Cape Cod.
- In Marblehead the middle school's site council is implementing reforms that were spelled out in the Marblehead Charter School application.
- The Williamsburg school department has initiated a low-cost after-school child-care program for elementary school parents to help off-set the financial impact of losing students to the Hilltown Charter School.
- In Hull, the school department has reduced its budget by capturing efficiencies in heat, transportation, and insurance, as a response to the threat posed by the South Shore Charter School.

The final element of structural reform is parental and professional choice. One of the reasons charter schools work—perhaps the main reason they work—is that they are schools of choice. Students are not assigned to charter schools; they (or their parents) must choose them. They enroll because they want to be there. Teachers and administrators choose to work in a charter school because they believe in what the school stands for. This kind of organic commitment and shared community is almost impossible to achieve in a system based on standardized policies and student assignment, and it is at the core of successful schools, both public and private.

An Implementation Plan

I would like to outline a series of steps for creating a market-driven educational system that I offer today as a starting point for future discussion.

- Over a three to five year period the state would increase its per-pupil funding for each school district so that the state's contribution would equal 100 percent of each district's foundation budget. This funding increase would be financed through savings in other accounts and by the conversion of all local aid into school aid.
- As state spending increases, each district's minimum required school spending would be reduced accordingly, so that overall spending would not increase.
- During this transition period the number of charter schools would be expanded, in order to create a growing supply of schools from which parents may choose.
- At the same time, all school management authority, including budget authority, would gradually shift to school-site councils, unless those councils decide to maintain or renegotiate their existing relationship with their local school department.
- State laws and regulations governing education would be thoroughly reviewed and streamlined to eliminate as many procedural and administrative mandates as possible.
- Vouchers would be introduced in a limited fashion, at first. For example, vouchers might be made available to students in schools that have lost their accreditation or to low-income students.
- Once the state is fully funding each district's foundation budget, a universal voucher system would be put in place. At this point the existing funding mechanism for charter schools and inter-district school choice would be ended.
- The value of vouchers for special needs students would be augmented by the state, based on findings of disability by state-chartered regional boards. No school accepting vouchers could deny admission or services to special needs students.
- Under a voucher system, participating schools could establish preferences for local residents and siblings, but could not otherwise discriminate in their admissions process.
- Schools accepting vouchers could not charge tuition to any state resident.
- Home schoolers could use vouchers to purchase materials and services from participating schools, based on published price lists.
- Municipalities could provide additional voucher funds to their local residents and could limit use of these additional funds to local schools.
- Municipalities could provide transportation services for all local residents to local schools, as long as such services were made available to all schools on an equal basis. The state would continue to provide transportation reimbursement to low-income parents whose children are enrolled in out-of-town schools.
- The state would establish a quasi-independent finance agency to enhance the credit-worthiness of all public and voucher-redeeming schools, and to facilitate capital improvements and expansions. The state's existing school building assistance fund would be eliminated.

The thick walls that have been constructed between public and private schools are arbitrary and increasingly irrelevant. Public education is not about who runs the schools, but who they serve.

Of course there are gaps and problems with this plan. For example, what happens if there are not enough spaces available in these independently managed schools to accommodate all the school-age kids in a particular area? How do these kids get placed? Where do parochial schools fit in this approach? Constitutional changes would undoubtedly be needed, but even if they are enacted, would the conditions placed upon voucher-redeeming schools be too intrusive for parochial schools to accept?

The thick walls that have been constructed between public and private schools are arbitrary and increasingly irrelevant. Public education is not about who runs the schools, but who they serve. At the end of this three-to-five year period, we would have a system of schools serving the public, rather than a unitary public school system. In addition to having a broad spectrum of educational models from which parents may choose, we would also have a broad spectrum of organizational models. Some schools might be run much as they are today, by local school committees and school departments. Some schools would choose to remain within the overall structure of the established system, but with greater autonomy and budgetary control—like Boston's pilot schools. Some schools would be entirely independent, like charter schools.

What I have outlined today is an admittedly radical approach to reforming the structure of public education. This is not a course we should embark upon precipitously. Nevertheless, I firmly believe that we will not see meaningful, sustainable improvement in our schools until we commit to moving in this direction. ✪

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